

INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY



Forensic Audit
Request for Proposals

Date of Publication: Wednesday, November 10, 2010

Response Due Date: Monday, November 22, 2010 by 5:00 EST

Summary and Background

Purpose of Request for Proposals.

Indiana Housing and Community Development Authority (“IHCDA”) requests proposals from qualified Certified Public Accountants (“CPAs”) to conduct a forensic audit on ACTION, Inc. of Delaware and Grant Counties (“Action”), a community action agency (“CAA”).

About IHCDA.

Mission Statement

IHCDA’s mission is for every Hoosier to have the opportunity to live in safe, affordable, good-quality housing in economically stable communities. IHCDA believes that growing Indiana’s economy starts at home.

Overview

IHCDA was created in 1978 by the Indiana General Assembly and is a quasi-public financially self-sufficient statewide government agency. IHCDA's programs are successful in large part because of the growing network of partnerships we have established with local, state, and federal governments, for-profit businesses and not-for-profit organizations. For-profit partners include investment banks, mortgage lenders, commercial banks, corporate investment managers and syndicators, apartment developers, investors, homebuilders, and realtors. Not-for-profit partners include community development corporations, community action agencies, and not-for-profit developers. For more information, please visit: <http://www.in.gov/ihcda/>.

About Action.

Mission Statement

The mission of Action is to empower individuals and families to become more self-sufficient. The goal is to motivate and encourage low-income families to attain skills, knowledge and training opportunities needed by each person to reach and maintain self-sufficiency.

Overview

Action was founded in 1966 as a private non-profit CAA. Action receives funding from various sources, but primarily from IHCDA. Action administers six programs on behalf of IHCDA – the Community Services Block Grant Program (“CSBG”), Federal Stimulus CSBG, the Energy Assistance Program (“EAP”), Weatherization, Individual Development Accounts and Federal Stimulus Weatherization.

Two incidents in April 2010 triggered this investigation request. First, IHCDA put Action on a quality improvement plan, which required Action tell IHCDA how it planned to correct numerous deficiencies in program administration. Under IHCDA programs, a quality improvement plan is a significant step because it is the first step toward terminating funding.

Second, the Action Board elected a number of new members in April, including a new Board President.

Since April, the following events have occurred:

- IHCDCA received an anonymous whistleblower complaint alleging that the Director of Operations was using Action funds to pay for her daughter's cell phone bill. IHCDCA forwarded the matter to the Board for investigation, and the Board confirmed this was taking place.
- The Action Board has verbally indicated that the Executive Director authorized the purchase of Coach purses for the Fiscal Director and possibly other staff, used Action credit cards for the purchase of gasoline for a personal vehicle and paid for auto repairs for staff. It is unclear if IHCDCA or Action general funds were used. It is further unclear how often this behavior occurred and for how long.
- The Executive Director and Director of Operations approved raises for themselves, effective retroactively, without Board approval.
- The Executive Director terminated the Director of Operations and the Fiscal Director on August 24, and was himself terminated on August 27.
- On September 9, Action informed IHCDCA that at least some of the personal expenditures were paid for with IHCDCA program funds. At the time of the call, Action could not provide a final tally of what items, how long or how much money.
- Action has identified a deficit of between \$300,000 and \$500,000, which they believe has been accumulated over many years. The Board thinks there are primarily three (3) factors: (1) personal use, (2) unreimbursable purchases outside of the scope of eligible program uses, and (3) failure to file claims on time. The Board believes unreimbursable purchases to be the most significant cause.
- Action owes Vectren Energy \$318,000 for services provided under EAP. EAP is a claims-reimbursement system. In other words, Action invoices IHCDCA, IHCDCA sends funds to Action, and Action forwards funds to the vendor. In this case, the first two steps occurred, but the third did not. Action has not been able to identify what happened to the funds.
- Additionally, IHCDCA has paid at least \$20,000 in Federal Stimulus CSBG to Action for payment to Vectren, which Vectren apparently never received. Action has not been able to identify what happened to the funds.
- Action did not have the funds necessary to proceed with the annual audit scheduled for September 29.
- On October 6, IHCDCA held hearings to terminate CSBG, Federal Stimulus CSBG and the three Weatherization contracts Action holds.
- On October 12, IHCDCA issued a letter asking Action to provide a plan to support its request to maintain CSBG funding for 2011. At the time of this RFP, IHCDCA has not yet received a plan or made a decision with regard to CSBG funding.
- On October 19, IHCDCA issued a decision to terminate Action's three Weatherization contracts, and notified Action that it would not be eligible to reapply for funding until April 2011.
- On November 4, IHCDCA issued a decision to terminate Action's CSBG funding.
- Action's Board is working with the Delaware County prosecutor to potentially pursue criminal charges against ex-employees.

IHCDCA anticipates that the recipient would receive full cooperation of the Action Board of Directors and remaining staff and full access to any files, as the Board has indicated its

willingness to undergo a forensic audit. However, IHODA cannot guarantee that the Action will not have closed its offices, or that Action will not cease to exist at the time that IHODA enters into the engagement with the recipient.

Scope of Work

Services and Responsibilities.

During the course of the initial investigation, the scope of work may be further expanded or altered at the recommendation of IHCDCA or the auditor, with any changes approved in writing by IHCDCA. It is possible that Action or IHCDCA will uncover new facts which could change the scope of audit. Further, IHCDCA has requested investigatory assistance from the state Attorney General's Office and the federal Department of Health & Human Services Office of Inspector General, but, as of the writing of this RFP, has not been notified as to any action which either might take. If either or both open an investigation or audit of Action, the scope of services under this RFP may change to prevent duplication of efforts. Such changes would be subject to limitations on supplemental expenditures agreed upon between the recipient and IHCDCA.

Audit services provided should include a trace of IHCDCA funds "backwards" from IHCDCA to Action to the payee for calendar years 2007 through present. The services should allow the recipient to provide a report to IHCDCA on what goods and services Action spent IHCDCA funds on. For spending categories which appear to constitute personal use or unreimbursable use under IHCDCA program guidelines, the report should detail which Action staff member spent the funds, and which Action staff member authorized the spending.

The selected recipient should have an established capability to perform forensic accounting procedures for non-profit entities or CAA's, and to conduct a forensic investigation of potential fraudulent activity that could support potential legal action.

Cost to Provide Services.

Understanding that the Scope of Work is broad and subject to change, IHCDCA recognizes that budgets will be difficult to provide. However, as a state entity, cost is a factor. Therefore, to assist with budgeting, IHCDCA provides two suggestions. First, IHCDCA encourages recipients to be innovative in billing. Reduced hourly rates, monthly flat rates, or other alternative billing solutions are welcome. Second, provide two items – a budget to perform the base services along with a supplemental expenditure sheet detailing hourly rates to provide services.

Conflicts of Interest.

For the purposes of a conflicts of interest check, the current Board of Directors of Action can be found at: http://actionindiana.net/about_us.htm.

Requirements for Proposal Response

There are two acceptable methods of submitting applications. First, an applicant may mail an application package consisting of one (1) original signed proposal and two (2) copies to:

Mr. Kevin Stage
Indiana Housing & Community Development Authority
30 S. Meridian Street, Suite 1000
Indianapolis, IN 46204
Attention: Forensic Auditor RFP

Alternatively, an applicant may submit one (1) .pdf signed proposal to IHCDa at the following e-mail address: kstage@ihcda.in.gov. IHCDa recommends submitting electronic proposals with delivery and/or read receipt options selected.

In either case, the deadline for accepting applications is 5:00 PM, Eastern Standard Time, on Monday, November 22, 2010.

A complete response includes the information listed below. Responses received without all of the items will be considered incomplete, and will be withdrawn from consideration.

- 1) Name, address, phone number, fax number, email address, and brief description of firm (1-2 pages).
- 2) Résumés of key personnel to be assigned to this project, highlighting skills, abilities, and knowledge relating to the delivery of the proposed services (1-3 pages).
- 3) A one (1) page narrative as to firm's skills, abilities, and knowledge relating to the delivery of the proposed services (1 page).
- 4) Three (3) or more firm references (1 page each). At least two (2) of the references must deal directly with the firm's delivery of forensic audit services or audit of a non-profit or CAA.
- 5) Description of services provided to or for IHCDa within the past five (5) years by firm (1-2 pages).
- 6) Description of services to be provided by the firm which meets the services requested by the Scope of Work section of this RFP. If firm cannot provide the specific service requested, firm will indicate this in the response and have the option of proposing an alternate service (2-4 pages).
- 7) Cost of providing services listed in the Scope of Work (1-2 pages).

All complete responses received on or before the deadline will be reviewed for selection. Please contact kstage@ihcda.in.gov for additional information or clarification.

Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in Indiana.
- b. The firm has no conflict of interest with regard to any other work performed by the firm.
- c. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.

IHCDA will handle evaluations for technical quality and price using the 40 point system below:

2. Technical Quality

a. Expertise and Experience

- i. The firm's past experience and performance on comparable engagements (including audits of CAA's or non-profits). – **8 points maximum**
- ii. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation. – **7 points maximum**
- iii. Firm references – **2 points maximum**

b. Audit Approach

- i. Adequacy of proposed staffing plan for current Scope of Work. – **6 points maximum**
- ii. Adequacy of sampling techniques. – **5 points maximum**
- iii. Adequacy of analytical procedures. – **5 points maximum**

3. Price – **7 points maximum**

Timeline

Solicitation and Publication of Request for Proposals*:	Wednesday, November 10, 2010
Deadline for Proposal Submission**:	Monday, November 22, 2010 by 5:00pm EST
Execute engagement letter with selected provider:	Friday, December 3, 2010
Start Date of Services:	Immediately thereafter

* *Written questions on this RFP may be directed to kstage@ihcda.in.gov and, if IHCD A deems appropriate for general distribution, the answers will be posted with the RFP on www.ihcda.in.gov*

** *Respondents will be notified by mail and/or email stating if they are chosen for engagement negotiations.*

Terms and Conditions

This request is issued subject to the following terms and conditions:

1. IHCDCA expressly reserves the right to modify or withdraw this request at any time, whether before or after any responses have been submitted or received.
2. IHCDCA reserves the right to reject and not consider any or all respondents that do not meet the requirements of this RFP, including but not limited to: incomplete responses and/or responses offering alternate or non-requested services.
3. IHCDCA reserves the right to reject any or all firms, to waive any informality in the RFP process, or to terminate the RFP process at any time, if deemed to be in its best interest.
4. In the event the party selected does not enter into the required agreement to carry out the purposes described in this request, IHCDCA may, in addition to any other rights or remedies available at law or in equity, commence negotiations with another respondent.
5. In no event shall any obligations of any kind be enforceable against IHCDCA unless and until a written agreement is entered into.
6. Each respondent agrees to bear all costs and expenses of its response and there shall be no reimbursement for any costs and expenses relating to the preparation of responses submitted hereunder or for any costs or expenses incurred during negotiations.
7. By submitting a response to this RFP, each respondent waives all rights to protest or seek any remedies whatsoever regarding any aspect of this request, the selection of a respondent or respondents with whom to negotiate, the rejection of any or all offers to negotiate, or a decision to terminate negotiations.
8. IHCDCA reserves the right not to enter into an agreement pursuant to this RFP.